

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of the)	
Comprehensive 2002 Biennial)	
Review of Telecommunications)	WC Docket No. 02-313
Regulations Pursuant to Section 11)	
of the Communications Act of)	
1934, as amended, 47 U.S.C. § 161)	

**REPLY COMMENTS OF THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

1 The Washington Utilities and Transportation Commission (WUTC) hereby submits
its Comments in response to the comments filed by other parties in the Federal
Communications Commission's (FCC or Commission) 2002 Biennial Review of
Telecommunications Regulations Within the Purview of the Wireline Competition
Bureau.

Issues Addressed in Reply Comments.

2 On September 26, 2002, the FCC issued a notice seeking comment on what rules
should be modified or repealed as part of the 2002 biennial review. It also sought
comments on recommended changes to rules that might enable the Commission to
operate more efficiently and effectively. As stated in its request, the Commission's
inquiry goes beyond whether the change is needed due to the existence of meaningful
economic competition alone, as required by Section 402 of the 1996
Telecommunications Act, and expands its inquiry to look at changes that would

“serve the public interest.” As provided on the Attachment to the request for comments, this review includes many items that are jointly relied on by federal and state regulators in their duties to regulate telecommunications utilities and to protect the public interest. The inquiry includes many items beyond those that we focus on in our comments. At this time, we wish to respond to comments filed by other parties the Uniform System of Accounts for Telecommunications Companies, Jurisdictional Separations Procedures, Preservation of Records of Communications Common Carriers, and Reports of Communication Common Carriers and Certain Affiliates.

3 The Commission’s notice states its intent to expand its review beyond the minimal statutory requirements and consider proposals that serve the public interest. We urge the Commission not only to review what rules should be changed or eliminated to best address the needs of federal and state regulators, but to also consider comments on whether any rules or regulations, or accounting and reporting requirements, *should be added or expanded* to best address the needs of today’s regulators, investors, and customers.

Regulatory Oversight Is Still Needed.

4 We agree with the comments of the Wyoming Public Service Commission (Wyoming PSC) that regulation is still needed although the regulators’ role has clearly changed over time.¹ Regulation should continue *at least* until the time that markets become

¹2002 Biennial Review Comments of the Wyoming Public Service Commission, pages 2-3.

fully competitive. Even then, we see a role for overseers of the industry – to arbitrate carrier disputes, to administer universal service programs, and to respond to customers requesting information. In this regard, our role has changed and continues to change and with that, our data needs change. There may be more need for quality of service and wholesale-versus-retail data than in the past, for data showing the impact of Internet access on traffic patterns, and for specific market share information. The recent financial and accounting disclosures affecting the telecommunications industry, which have caused economic instability industry-wide and in some cases financial jeopardy for individual companies, indicate that perhaps more information should be reported by companies, rather than less.

ARMIS Reporting Requirements Should Not Be Reduced.

5 We take issue with the United States Telephone Association's (USTA) recommendation that ARMIS reporting requirements be streamlined and eventually eliminated.² As a state commission we rely on data reported at the federal level. We urge the Commission to be aware of not only its own needs as a federal regulator, but also the needs of the state commissions for certain data that might best be collected and maintained at a federal level. For certain items, it makes the most sense for data to be filed at the federal level, rather than at the individual state level.

6 The majority of states have adopted the Uniform System of Accounts for Telecommunications Companies. If the FCC were to modify the Uniform System of

Accounts in a substantial or adverse way relative to the states' needs, then the states would be required to reexamine their individual accounting needs, likely leading to an unnecessary administrative burden for the companies that would be required to track separate accounting requirements in each state. In our view, this would cause unnecessary expense for regulated companies. Additionally, it could adversely affect the public interest for individual states. Without a national standard, a company's accounting could be different in each jurisdiction, making it difficult for individual states to assure their citizens that a company is financially sound yet not extracting monopoly profits. If national standards are eliminated or substantially diminished, investors have little assurance that a company is not gaming its earnings in a state or before a regulatory body. If each regulatory commission must administer an entirely new set of accounting standards, imposing additional costs on states and the industry alike, increased productivity in the telecommunications industry is threatened.

7 We have been asked in previous Commission reviews to explain how the national data actually help us in our own jurisdictional work. In Washington, we use total company data to compare interstate and intrastate earnings. We rely upon the Commission's data for determining market share in Washington, and the status of competition (e.g., the percentage of competitor's lines derived from UNE-P). We use ARMIS access line counts for Washington and for total company in the analysis of overhead charges allocated to individual rates. ARMIS is one of the few publicly

² USTA Comments, page 9.

available sources of data on payphone lines. We have seen the data used by states to offer universal service proposals and to examine the affordability of rates.

Comparative quality-of-service data, found in some of the carriers' ARMIS reports, are also widely used. Quality of service became a significant point of discussion in many of the states' Section 271 reviews, and often, the starting point was the data available from ARMIS. Likewise, ARMIS data can assist in reviewing wholesale prices and discounts that are determined by the states, pursuant to the Act. The use of this national accounting and reporting data is extensive and should not be eliminated without good cause, and *only after consultation with state regulators*.

The Newly-Formed Joint Accounting Conference Should Be Consulted Before Changes Are Made to Accounting and Reporting Requirements.

8 We take issue with Verizon's objection to allowing the Joint Accounting Conference to review the Commission's Phase III accounting regulations proposal. Verizon states that the FCC cannot forestall its biennial review by "simply submitting the regulations to indefinite study."³ We concur with the Wyoming PSC (Wyoming) that any proposal to modify, shrink, or expand the current accounting and reporting requirements not be acted upon by the Commission until that proposal has been offered to the Federal-State Joint Conference on Accounting Issues for comment and recommendation.⁴ To do otherwise would negate the purpose of the Joint Conference. As the Commission recently stated when it established the Joint

³ Biennial Review 2002 Comments of Verizon, pages 14-16.

⁴ 2002 Biennial Review Comments of the Wyoming Public Service Commission, page 4.

Conference, its purpose is “to further the development of improved regulatory accounting and reporting requirements and ensure that data filed by carriers are adequate, truthful, and thorough.” We urge you to let the newly developed process work.

9 We also join the Wyoming PSC in recommending that the Commission consider taking the opportunity to further review its recently completed accounting modifications by placing their implementation on hold, and referring them to the Joint Accounting Conference before their currently scheduled implementation date. We refer specifically to the changes that were implemented in the *Phase II Accounting Reform* proceeding, which are scheduled for implementation beginning January 1, 2003. While we appreciate the Commission’s consideration in recognizing the need to add some specific accounts as part of its decision, there is still a great deal of controversy regarding the elimination of accounts that some jurisdictions still need in order to fulfill their regulatory responsibilities. Given the federal and state regulators’ familiarity with these issues, we believe the review of the FCC’s Phase II decision on could be undertaken relatively expeditiously after another round of comments from interested parties. However, without the Commission’s action to suspend the implementation date of its Phase II decision, some of the carriers may discontinue tracking some of the information in controversy, losing it forever. We believe it would be better to err on the side of caution, allowing data collection to continue until the Joint Conference can conduct a review of this matter.

The Commission Should Seek Input from the Joint Board on Separations Regarding Proposed Changes to Jurisdictional Separations.

10 We also endorse Wyoming's recommendation that the Commission should not rush into any jurisdictional separations changes without input from the Federal-State Joint Board on Separations.⁵ This body has been considering the issue of separations changes for some time, and has recently taken comments on what the future of separations should be. Any work done by the Commission in this biennial review should be closely coordinated with the existing work of the Joint Board on Separations.

11 We have chosen to focus our comments on selected accounting and reporting items contained within the initial comments filed by other parties. However, our lack of specific comment on other issues should not be taken as a tacit agreement to changes or elimination of rules and requirements in areas. Vigilance is required to oversee and regulate local, essential services while the market continues its transition from a monopolistic environment to a fully competitive market. To that end, proposed changes to the FCC's rules must be thoroughly examined, discussed among federal and state regulators, and viewed from a public interest standard before being implemented. While local service competition has taken hold in pockets of the nation, it is not yet widespread throughout America. Eliminating the tools necessary for oversight before the transition is completed could be the death-knell to

⁵ *Ibid.*, page 5.

competition ever being given the opportunity to fully develop. We ask you to be cautious in any changes that you consider, and allow for a full examination before changes are implemented.

Respectfully Submitted,

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner